



# Elizabethtown Gas

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August 31, 2006

Honorable Kristi Izzo  
Board Secretary  
New Jersey Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

**Re: In the Matter of the Establishment of Universal Service Fund Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999  
BPU Docket No. EX00020091**

Dear Secretary Izzo,

Elizabethtown Gas ("Elizabethtown" or "Company") respectfully submits these comments in response to the proposed recommendations by the New Jersey Board of Public Utilities ("NJBP" or the "Board") Staff regarding changes to be made to the Universal Service Fund ("USF") program in the upcoming years. All interested parties were directed to submit written comments by September 1, 2006.

Board Staff has put forth seven main recommendations and Elizabethtown agrees with the concepts behind many of these recommendations. However, the Company believes there are two specific areas that warrant further consideration before implementation of the Staff recommendations as proposed.

The Company agrees that as the program is structured now, it is difficult to predict USF program costs each year due to the many variables, and setting a fixed annual funding amount would eliminate this problem. The Company supports the proposal of a cap on program costs as well as an application window. However, the combination of a fixed cap on program spending and a limited application window could have undesirable consequences if not structured properly. Assuming the cap is set at a level such that it is likely to be reached before the application window has closed raises an issue as to the how the funds would be allotted to those in need of assistance. The Company does not believe a program structured on a 'first come, first served' basis would result in an equitable distribution of USF resources.

Instead, the Company believes that a structure that incorporates the cap and a set application window with the benefits amounts allocated proportionally to participants after the

close of the period would assure that all applicants received some if not a full level of energy assistance. More specifically, the window would be used for accepting applications and processing applications as they are received, but the credits would not be determined at this time. During the one or two months after that window has closed, calculations would be completed by OIT and the utilities to determine benefits for each applicant and a total dollar amount of potential benefits would be assessed. This number would then be compared to the dollars allocated to the USF program under the cap, excluding any administration and other costs outside of benefits to customers. If the calculated benefits are less than the cap, then all eligible applicants would receive their full calculated benefit amounts. If the calculated benefits exceed the cap, a calculation would be done to determine the ratio between the cap and the calculated benefits (e.g. if the cap is \$75 million and the calculated benefits are \$150 million, then the percentage used would be 50%). This percentage would then be applied across the board to all calculated benefits so that in this example all eligible customers would receive 50% of what they would have otherwise received if the cap had not been reached.

The Company suggests two different windows that could be used to make this option feasible. The first is to have the application window for USF coincide with that for LIHEAP, as mentioned in a recent workshop held to discuss proposed recommendations for the USF program. USF applications would be accepted November 1<sup>st</sup> through March 31<sup>st</sup> of each year. Final processing and calculations would take place during April and May and customers could begin receiving their USF benefits sometime in the early summer of each year. This synchs up the application period for USF and LIHEAP. A second option is to have a shorter application window in the summer, perhaps May-July. Calculations and processing would take place in August and September and the first USF credits for the program year could appear on November bills. This makes the start of the program year the same for LIHEAP and USF.

The second Staff recommendation that Elizabethtown believes warrants further exploration is the elimination of the pre-program arrearage forgiveness, or Fresh Start, component. The Company appreciates Staff's concerns that as the Fresh Start program is currently structured, there is little ability to predict costs for this program component. However, as discussed briefly in the workshops held in August, there are ways to restructure the program so that it will continue to benefit customers while increasing the predictability of costs. As evidenced by the APPRISE report released by the Board on June 7, 2006, many customers receiving USF continue to have difficulty paying their current bills even with USF and other energy assistance programs. According to page xiii of the Executive Summary of the APPRISE report, more than 15 percent of USF participants and 35 percent of Fresh Start participants paid less than 90% of their charges. Removing this program component completely would not be in the best interest of the customers receiving the benefit. The Company requests that Staff explore other arrearage forgiveness structures before eliminating this component in its entirety.

Many of the remaining recommendations by Staff are good ones and, if properly implemented with sufficient lead time, will strengthen the USF program and benefit participants. Elizabethtown agrees with Staff and the APPRISE report that levelizing bills for USF customers would be very helpful and could have a positive impact in changing the payment patterns of these financially-troubled customers. However, as was mentioned in the APPRISE report as well as at the workshop, there are several other benefits customers receive via their utility bills

that are not spread out evenly during the year but appear as lump-sum benefits, like LIHEAP and Lifeline. This makes the task of creating a budget bill more challenging but it is worth pursuing. Another topic addressed by Staff is the concept of one stop shopping, whereby potentially eligible customers can apply for many programs at once using fewer forms, making the application process easier. Again, this will be a challenge given the various federal, state and local agencies and rules involved in this process but it would simplify the process for applicants. The Company also supports Staff's recommendations regarding the need for program measures to see how the program is succeeding and a much-improved communication plan to be used by all groups in contact with the USF program.

Elizabethtown Gas looks forward to the final outcome and changes to the USF program and appreciates the opportunity to provide comments on this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mary Patricia Keefe".

Mary Patricia Keefe, Esq.  
Director, Regulatory Affairs

cc: Honorable Jeanne Fox, President  
Honorable Frederick Butler, Commissioner  
Honorable Connie O. Hughes, Commissioner  
Honorable Joseph L. Fiordaliso, Commissioner  
Honorable Christine V. Bator, Commissioner  
USF Working Group (via email)